FINANCIAL NEWS

Chi-Chi's troubles, Duff's slash Kelly-Johnston '84 profit 83%

OKLAHOMA CITY—Stung by the costs of absorbing the Duff's cafeteria chain it acquired last August and trouble in its Chi-Chi's division, Kelly-Johnston Enterprises posted a bare $418,000 in net profit for the year ended March 31, an 83% decline from fiscal 1983.

Fiscal 1984 revenue was $95 million, up 133% from the year before.

Fourth-quarter net profit was $620,000, down 33% from the year-ago period, but a reversal of the $2.1 million net loss in the year's third quarter.

Last-quarter revenue was $35.1 million, a 205% increase from 1983's period.

Kelly-Johnston booked a $62,600 extraordinary gain in the fourth quarter after buying back convertible debentures at a discount from face value.

The company operates 34 Duff's smorgasbords, franchises another 108 and operates 21 Chi-Chi's Mexican dinnerhouses.

It closed six Chi-Chi's during the year while adding three Joe Kelly's and the Duff's acquisition.

Kelly-Johnston bought Duff's in exchange for cash and stock, priced at the time at $17.50 per share. Since then, Kelly-Johnston's stock price has dropped to about $5, delaying plans by the ex-owners of Duff's to cash in some of the 15% stake they acquired in Kelly-Johnston.

A plan to sell some of the stake of the former Duff's holders has now been delayed until at least next year.

The withdrawn prospectus also reveals some legal disputes related to the Duff's chain.

Kelly-Johnston said it expected to settle a trademark infringement lawsuit that threatened to prevent it from operating in Virginia.

Kelly-Johnston said it had offered to pay the company that filed the suit, Duff's Inc., $8,000 in cash, and promise not to operate in an area of northwestern Virginia.

The company also disclosed in the scuttled prospectus that it was involved in an unspecified number of legal disputes with its Duff's franchisees. Kelly-Johnston termed the suits immaterial to its operation.

Some Chili's investors to cash in their holdings

DALLAS—Some 36 early Chili's investors who traded their five restaurants for stock when the upscale burger chain went public in January are now cashing in some of their holdings.

The investors—including two officers, chairman Norman Brinker and chief financial officer Jack Lavine—have filed a plan to sell 286,000 of the 3.6 million shares they received from the 28-unit chain.

The selling shareholders earned their shares by selling to the company their five partnerships, each of which operated a restaurant in Chili's early days.

At a recent price of $14, Brinker figures to sell $420,000 worth of his $15.7 million holding and Lavine could reap $140,000 of his $5.2 million stake.

The 52-year-old Brinker founded Steak & Ale and served as chief of Pillsbury's Burger King chain before joining Chili's last year. Lavine, 43, cofounded Chili's in 1975 with his 39-year-old brother Larry, Chili's president.

The single-largest block of stock is being sold by venture capitalist Texas Capital Corp., which is offering 55,000 of its 164,000 shares. Brinker will remain Chili's single largest shareholder with some 1.1 million shares, or about one-quarter of the company.

Chili's went public in January by selling 1.1 million shares priced at $15 each.

Pillsbury ice cream plans aided by Sedutto purchase

MINNEAPOLIS—The Pillsbury Company, seemingly intent on cornering the premium ice cream market, has acquired the Sedutto Ice Cream Corp. of New York for an undisclosed price.

About a year ago, Pillsbury acquired the Häagen-Dazs Company of New York, which sells its own high butterfat premium ice cream in about 300 dipping stores as well as supermarkets and restaurants. Häagen-Dazs reports to J. Jeffrey Campbell, chairman-chief executive of Burger King, also owned by Pillsbury.

Sedutto and Häagen-Dazs are considered direct competitors in some markets. Consumers consider both companies' products high-quality ice creams that cost about $1.75 a pint in supermarkets and $3 and more a pint in dipping stores.

American Family Pizza 1st-qtr. loss $36,785; sales rise 50%

HOLLYWOOD, Fla.—American Family Pizza, an 18-unit Godfather's franchisee, reported a net loss of $36,785 for the first quarter ended March 31. The company reported a net profit of $47,507 in the same period last year.

Sales in the quarter increased more than 50% to $2.2 million.

Chairman Jerry Slusky attributed the quarterly loss to expenses associated with the introduction of the new chain-wide product, deep pan pizza.

Consul to buy Chi-Chi's units, franchise rights

MINNEAPOLIS—Consul Corp. said it had agreed to acquire two Chi-Chi's Mexican dinnerhouses and franchise rights in four states from Kelly-Johnston Enterprises of Oklahoma City.

For Consul, Chi-Chi's largest franchisee, the deal would give the company 36 Chi-Chi's and room in the four states to build eight more.

For Kelly-Johnston, which closed six Chi-Chi's early this year, it allows the company to consolidate its operations with the remaining 19 units in six states.

Hamburger Hamlet's '84 profit $1.1M

BEVERLY HILLS, Calif.—Hamburger Hamlet reported a net profit for the fiscal year ended March 25 of $1.1 million, compared to a $790,277 loss during the same period last year.

Revenue for the 52-week period is up 4.5% to $35.5 million.

This profit performance was attributed to an improvement in the general economic climate as well as more efficient cost controls. The company also benefited from the renegotiation of lines of credit which resulted in the reduction of interest rates.

Two new restaurants in southern California and one in Ocean City, Md., are currently in various stages of planning and construction. In addition, two existing restaurants in Westwood Village and West Los Angeles, Calif., are undergoing renovation.

Hamburger Hamlet owns and operates 17 restaurants in southern California, four in the Washington, D.C. area and one in Chicago.

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EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Allegheny Bever	3 mos.				$ 0.153	30.0	$ 1.700	7.0
A&M Food Service	3 mos.	3/20	$ 6.400					
Amer. Fam. Pizza	3 mos.	3/31	2.200	50.0			(0.036)	
Bob Evans Farms	12 mos.	4/27	120.100	16.0			9.200	7.0
Cucos	3 mos. 9 mos.	3/31			0.847 2.354	45.0 28.0	0.505 0.130	26.0 39.0
Diversifoods	3 mos.	3/31			125.700	15.4	5.500	10.6
El Torito	3 mos.	3/31	0.585	25.0			1.566	114.0
Esteban's	3 mos.	3/31			2.942		– 0.271	
Family Entertainment	3 mos.	4/1	3.670	– 31.0			(0.111)	
Flakey Jake's	3 mos.	3/25	1.547		0.134			
Garcia's	3 mos.	4/22			17.104	29.3	– 0.203	
Hamburger Hamlet	12 mos.	3/25	95.000	9.0	35.500	4.5	1.100	47.0
Holiday Inns	3 mos.	3/30			402.500	15.0	26.000	16.0
Kelly-Johnston	12 mos. 3 mos.	3/31 3/31			95.000 35.100	133.0 205.0	0.418 0.620	– 83.0 – 33.0
Maverick Rest.	3 mos.	4/30			2.393	68.0	0.235	93.0
Max & Erma's	3 mos.	2/19			5.500	18.0	0.114	
Morrison	3 mos. 9 mos.				114.300 341.200	10.0 10.0	4.500 14.300	0.0 9.0
Mr. Steak	3 mos.	4/2			17.500	19.3	(0.016)	
Naugles	3 mos. 10 mos.	5/5 5/5			25.700 86.900	28.0	– 7.100 – 5.200	
Pan Am	3 mos.	3/31			879.600	5.0	–70.300	
Pancho's Mex.	6 mos. 3 mos.	3/31			14.472 7.551	25.0	0.556 0.349	41.0 57.0
PepsiCo	3 mos.	3/24			1,770.000	14.0	47.200	17.0
Pizza Inn	3 mos.	3/25			38.000	9.5	0.805	– 15.0
Rax Restaurants	3 mos. 9 mos.	4/28 4/28			21.800 65.900	32.0 31.0	0.546 2.600	74.0 90.0
Restaurant Asc.	3 mos.	3/31			30.000	9.0	0.013	– 84.0
Rusty Pelican	3 mos. 9 mos.	4/15	9.350 24.600	27.0 17.0			0.558 1.100	54.0 44.0
Saga Corp.	3 mos. 9 mos.	3/24			284.000 825.000	10.0	8.200 24.600	33.0 18.0
Sandwich Chef	3 mos. 9 mos.	3/31	6.600 18.900	24.0 30.3			0.216 0.486	
Shoney's South	3 mos.	4/15			46.900	16.8	1.900	69.8
Sis Corp.	3 mos.	3/24	1.400	118.0			– 0.960	
T.G.I. Friday	3 mos.	4/2			65.300	23.0	3.100	35.0
USACafes	3 mos.	3/31	95.000	9.0	3.750	34.0	0.474	47.0
Vicorp.	3 mos.	2/5			35.000	131.4	1.070	95.8
Western Steer	12 mos.	2/24			36.095	25.0	1.106	38.0

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

MULTIUNIT TRENDS

Analyzing industry trends brings answers

This is the first in a series of columns analyzing major trends in the multiunit sector. The text of each will be based on excerpts from research reports provided by Restaurant Trends, Middletown, N.J.

Restaurant Trends (RT) is a research company that gathers and analyzes information about the chain restaurant business. Its primary purpose is to focus on the sales dynamics of major chains. Information is gathered from questions asked store managers. They are on the front line, know a great deal about the business, and can be polled quickly and efficiently.

From this source, RT has been able to gather information about a great many important aspects of the industry. These include the tracking of regional, segment and individual chain trends relating to:

- Store sales
- Pricing activities and product prices
- New and established product sales mix and line of business information
- Promotions
- Upgrading
- Average check purchase

A core questionnaire designed for store managers is at the heart of the RT system. It contains key statistical as well as descriptive and observational questions. The most important questions ask for the per cent changes in dollar store sales and average menu prices over the same month in the prior year, and the per cent of dollar store sales accounted for by a specific product or line of business.

Examples of the more general questions include the year the store was opened, the date and direction of the last price change, the type(s) of promotions run, physical characteristics of the store, specific menu prices and the number of months a new product has been served.

As the name implies, RT's primary purpose is the recognition of trends concerning the sales dynamics of the chain restaurant business. Over 97% of the stores RT surveys are two or more years old. (RT cannot interview stores less than a year old since no sales per cent change figure is available.)

Meanwhile, some of the companies RT surveys report figures that, for comparative purposes, are expressed in terms of average store sales. They include new stores and are the net of numerous conditions that tend to distort comparisons with RT's identical store data. Examples of these conditions are: new store volumes that are significantly higher or lower than older units (usually determined by the mix of expansion of established vs. new markets), sharp fluctuations or a high absolute rate of expansion, store closings (usually low volume locations) and inclusion of foreign sales in reported total system sales. Also keep in mind that RT's monthly sales figures are not seasonally adjusted.

Despite these obstacles, RT is able to accurately track fluctuations in chain store sales.

Since RT's data relates to identical stores' trends, they believe it captures the essence of change taking place in a chain's core markets as well, if not better than, average store sales figures which are volatile and prone to misrepresentation.

With regard to sampling, a stratified sample is used in which monthly interviews for a chain are distributed geographically by area code in direct proportion to that chain's actual store population.

On an absolute basis and relative to the industry, the major chains have been doing very well the last several months. Keep in mind that the real store sales trends for the majors historically have been equal to or better than the eating and drinking place series up until mid-1982.

Heavy advertising of many of the fast-food chains; increased consumer recognition, especially in the burger segment; a bevy of new product introductions, and increasing emphasis placed on breakfast appear to be playing a key role in fueling the sales gains of the major fast-food chains and, at the same time, eroding some of the sales momentum in the coffee shop area.

As can be seen in Table I, the 18 major chains listed experienced average monthly per cent gains in nominal store sales of 11% from February through April and an average price factor of 2.7% a month. This translated into real sales gains of 8.1% as compared to 6.7% in the prior three months. Eating and drinking place sales during this period rose 8.2% on average per month with a price factor of 4.2%. Real EDP sales averaged 3.7% compared to 4.6% in the prior three months.

As can be seen in Table II, the 39¢ burger promotion was much more actively pursued by Burger King than McDonald's. Since January, however, it has been steadily on the decline. This type of price promotion appears effective, but it does not seem to make a difference from a sales standpoint whether the price break is on the small burger or a larger one such as the Whopper or Big Mac.

In April the sales gains for the stores carrying the 39¢ prices were not materially different than the chain averages in general. In fact, they were slightly lower. The few remaining McD stores even indicated they would be dropping the 39¢ promo in May.

Possibly the strong sales trends being exhibited by all three of the major burger chains has done a lot to convince operators that holding to a 39¢ price is not the way to go in the current environment. Nevertheless, price promotions of this type probably will be rolled out periodically in order to bolster sales when they begin to falter.

For further information on Restaurant Trends research, write or phone Carl De Biase, Restaurant Trends, 1000 Highway 35, Middletown, N.J. 07748, 201-671-4444.

TABLE I: STORE SALES CHANGES OF MAJOR CHAINS

Three Months Moving Average: 2/84-4/84

	Average Monthly Per Cent Change Over Previous Year			
	Nominal Sales	Price	Real Sales	Prior 3 Mos. Real Sales
Arby's	8.0%	2.0%	6.0%	NA
Big Boy	14.0	4.0	10.0	7.0%
Burger King	13.0	1.0	12.0	13.0
Church's	12.0	4.0	8.0	4.0
Denny's	5.0	4.0	1.0	3.0
Dunkin' Donuts	7.0	2.0	5.0	1.0
Friendly Ice Cream	5.0	3.0	3.0	1.0
Hardee's	7.0	2.0	5.0	12.0
Howard Johnson	5.0	3.0	2.0	2.0
Jack in the Box	11.0	3.0	7.0	10.0
Kentucky Fried Chicken	10.0	4.0	6.0	5.0
Long John Silver	8.0	3.0	5.0	3.0
McDonald's	11.0	0.0	11.0	10.0
Pizza Hut	14.0	3.0	11.0	9.0
Ponderosa	15.0	5.0	9.0	8.0
Taco Bell	20.0	3.0	16.0	10.0
Wendy's	19.0	3.0	16.0	15.0
Winchell's	14.0	2.0	12.0	4.0
Average	11.0%	2.7%	8.1%	6.7%
Eating and Drinking Places	8.2%	4.2%	3.7%	4.6%
Food Stores	6.4%	4.0%	2.2%	3.3%

Source: Restaurant Trends

TABLE II: 39¢ HAMBURGER PROMOTION

	% of Surveyed Stores Participating		Monthly Store Sales Performance of Participating vs. Nonparticipating Stores	
	Burger King	McDonald's	Burger King	McDonald's
January '84	64%	26%	Same	Better
February	44	22	Same	Better
March	23	24	Better	Same
April	10	10	Same	Better

Source: Restaurant Trends

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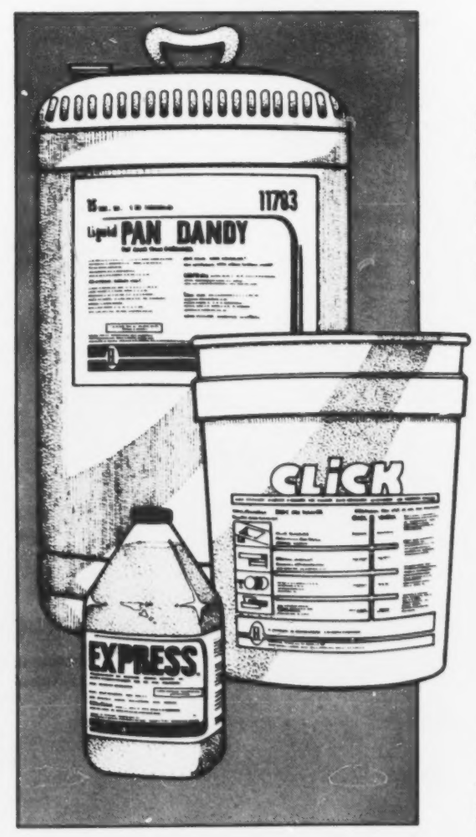

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Hotel execs seek niches in coming expansion

(Continued from page 8)
Since the acquisition, Omni-Dunfey has been operating as "two separate organizations," Canas said, borrowing its marketing techniques from the airlines. There are currently eight management contracts for Omni-type hotels scheduled to open between mid-1985 and mid-1986 to go with the 16 Omni hotels now in operation.

"Like the airlines, Omni represents our first-class service," Canas said. "The same services are available at all Omni hotels despite varying size of the properties. We are making a significant effort to promote the Omni name which is currently geared to seven markets. We hope to expand into other markets in 1986."

Manuel Ferris, new president of The Howard Johnson Hotel Group, has a different set of problems to contend with as the once-powerful restaurant and hotel chain conducts "operation catch-up."

"We used to be one of the largest restaurant and hotel chains in the country, but we went to sleep," Ferris said. "We are currently working to upgrade our 500 lodges which represent about 60,000 rooms."

But a facelift of existing properties, which will include "a complete change of physical appearance" of the familiar orange-roofed lodges and a new franchising program launched recently, are only one phase of the Howard Johnson lodging plan. A move into full-service hotels is also on tap in the near future, Ferris said, based on a whole new hotel prototype.

"We hope to expand throughout the United States with a new line of full-service properties," Ferris said. "We are willing to buy existing facilities, build our own or do joint venture deals, anything and everything to achieve hotel growth." He stressed, however, that the company will "stick very much to the midpriced market."

While there will be little net growth over the next three or four years as the company works to remove nonproductive properties from the system and build new ones, Ferris said, Howard Johnson is "well on its way to creating a new hotel company and will use every available means of financing to achieve its goals."

Phoenix-based Ramada Inns will grow through acquisitions, new construction and franchising, according to senior vice president Mark Forrester, while pursuing a "segmented approach" with three different types of properties all in the "midmarket range."

Ramada Inns offer informal food and beverage service and limited meeting space while higher-priced Ramada Hotels feature a wider range of services geared to the commercial traveler. For both of these concepts franchising will remain the "dominant weapon".

For its more upscale Renaissance properties, however, Ramada is seeking management contracts of "primarily new facilities," Forrester said.

Ramada will add 10,000 rooms this year, Forrester said, and is projecting a total of 140,000 guest rooms in the system within the next five years. The majority of growth will take place in the Ramada hotel and Renaissance properties with many of the older Ramada Inns being closed down.

While the majority of new growth will come from the midpriced, full-service sector of the industry, a sizable chunk of the estimated $52 billion that will be spent on lodging development over the next eight years will be targeted toward other types of properties.

In the budget segment, for example, Amlin, Ohio-based Red Roof Inns—the largest wholly owner-operated budget chain in the United States—will continue to crank out its cookie-cutter, no-frills properties at the rate of about 15 to 20 motels a year, according to Bill Denk, senior vice president of finance.

"We're positive about our market niche," Denk said. "Our main challenge will be to hold construction costs and room rates down while maintaining our quality image. There's no problem with market saturation as long as we develop prudently and don't overbuild in marginal markets."

Further development in the moderately priced market will come from Marriott's new Courtyard concept, which was first tested last year in Georgia and is now set for substantial expansion over the next 18 months.

Plans call for some 20 to 30 Courtyard properties in five multiple market areas including: New Jersey/New York; Washington, D.C./BAltimore; Chicago/Milwaukee; northern California, and Georgia and adjacent states.

Total investment in Courtyard could reach $2 billion over the next five years, company sources said, and over the next decade, Marriott plans to open some 300 Courtyards with more than 50,000 rooms.

A proliferation of all-suite properties, which currently account for only 1% of the lodging market, will also take place in the near-term.

With prosperity expected to last at least through 1986, according to Laventhol & Horwath estimates, oversaturation of the lodging marketplace would seem to be a problem, despite the fact that two rooms go out of circulation for every 10 that are built.

"Marketing is the key," said Howard Johnson's Ferris. "There will never be an oversupply of rooms. The problem we must all overcome is underutilization."

Hotel chains push all-suites viability

(Continued from page 3)
ily, the long-staying guest and the businessman who does not want to entertain in a room which looks like a bedroom.

Real estate requirements for each concept vary widely. Royal Hotels looks for a site where an office building will do well, since each of their units is part of a larger site development which includes a central atrium, two office buildings, a traditional hotel, restaurant and quiet bar. By combining the concepts, Royce saves significantly on combined parking space, according to chairman Arthur Mever.

Still a relatively new concept for the hospitality industry, the all-suites nevertheless have rapid expansion schedules. By 1988 there will be one concept coming from the Embassy/Granada merger and 150 units of that concept will be open. By the end of 1984, Bob Brock estimates that 40 Residence Inns will be in operation and 30 more will be under construction.

Funding will come from institutional investors and franchisees. Park Suites are progressing slowly and will be built only as company owned or joint venture deals. Royce hopes to franchise their new division, and Embassy/Granada properties, which are planned for the top 100 sales marketing selling areas, will be 50% franchised. The company plans to take the first 10 marketing areas for itself and build 75 hotels.

Saga set to expand role in hotel dining

(Continued from page 3)
chains and their franchisees, and with independent multiunit hotel developers, is a new twist for Saga (probably offering attractive ROI advantages).

With the new Granada Royale ventures, Saga has had an opportunity to open units of the otherwise static Velvet Turtle white tablecloth concept, both in freestanding modes and incorporated into the all-suite hostelries.

Room service and banquet operations are functions of the Saga teams in each of the hotels. For San Diego-based Vagabond Hotels, Saga operates one banquet room in the stylish Brandon's restaurant, and two more banquet rooms in Vagabond's adjacent Beverly Heritage property.

Brandon's, a concept Saga might deploy in future hotel ventures, features a contemporary oak-and-brass look accented by glassed-in displays of fresh beef and seafood, and displays of French pastries

The à la carte menu, again emphasizing beef and fish, lists items priced from $3.25 to $14.95 at lunch, and from $8.95 to $16.25 at dinner. Along with full liquor service and a modest wine list, Brandon's offers four premium varietal wines by the glass.

Anticipated sales volumes and targeted profit margins of hotel units are not disclosed by officials of the restaurant management division. But estimates place restaurant management margins at only 3% vs. about 8% overall in Saga's restaurant chains, including Velvet Turtle, Stuart Anderson's Black Angus and Spoons.

In fiscal 1984 Saga's upscale fast-food units, Grandy's and Straw Hat Pizza, contributed most heavily to the 23.2% gain in corporate net profit to $24.5 million on revenues of $825.3 million for the nine-month period ended March 24. (Net profit for the full year ended last month is expected to total about $31 million, up 30% from 1983.)

The 205-unit Straw Hat chain (about 110 are company owned) and the 96-unit Grandy's chain (41 company owned) together yield an approximate 14% operating margin for the upscale fast-food division (with Grandy's itself doing at least three points better on margin, according to estimates).

Black Angus remains one of Saga's most stable dinnerhouse concepts, with its 109 restaurants averaging sales of $2.5 million apiece per year. But Texas-based Grandy's, acquired by Saga last July, is one of the company's rising stars.

Saga expects to expand Grandy's by some 30 company-owned and 50 franchised units over the next 12 months, bringing the chicken-and-biscuit chain to a size which could yield as much as 20% of Saga's total operating profit for fiscal 1985.

Although Saga chairman and ceo Charles Lynch had anticipated some dilution of corporate profit as Grandy's was melded into the overall Saga empire, the chicken chain pleasantly surprised him with immediate contributions.

Last fall's acquisition of Spoons, and the current anticipated tripling of the six-unit gourmet burger-and-ribs chain in the coming year, is a further symptom of the strategic realignment of Saga by Lynch and company over the past several years toward restaurant operations.

Commodity inflation and the lag time in invoking escalation clauses has always meant slimmer margins for contracts—a fact of life reflected in the estimated contribution from all current Saga contracts of only 38% of 1984 operating profit, even though contracts produced about 63% of Saga's approximate $1.12 billion in total revenues for the year.

As successor to ARA Services at downtown Los Angeles' Arco Plaza highrise, the corporate division expects to generate about $6 million in sales this year from nine separate food-service outlets, including the white tablecloth Francois' and O'Shaugnessy's restaurants (despite estimates from sources close to ARA claiming the Arco contract had been in the $16 million-$21 million-a-year range).

At the highly regarded Francois', one of Saga's initial priorities is scrapping a recently instituted "California Continental" menu, and replacing it with the traditional French menu on which the $2.5 million-a-year restaurant built its reputation.

Sleeping giant K mart stirs in food service

(Continued from page 1)
selling items in the delis include Icees, K mart's frozen aerated drink, popcorn and sandwiches.

Swisher is still tinkering with The Eatery, which could be the first time K mart has given a food-service outlet a separate identity with a name. One full-scale test is under way in Troy with a new menu.

In the 85 family restaurants enjoying choice upfront locations at the former W. T. Grant stores K mart took over in the early 1970's, Swisher has added some new sandwiches—including tuna melt, chicken breast and a ham-and-cheese club, priced at $1.95, $1.85 and $2.50, respectively.

Swisher also oversees 40 fast-food snack bars and 13 coffee shops in the K mart stores.

In the remaining 200 Kresge stores, there are 77 original soda-fountain-and-grill "dinettes," with $1.25 sandwiches and $1.15 ¼-lb. burgers. The Kresges also have 28 cafeterias and 15 snack bars.

In addition, K mart operates a budget steakhouse, a smorgasbord cafeteria, and two coffee shops in other K mart outlets. It closed down two fast-food and video-game parlors dubbed Abra K Dabra last year, six months after they opened.

But the heart of K mart's in-store feeding operations remains its 1,274 back-of-the-store cafeterias, which was Swisher's first challenge four years ago.

Swisher's small army of district managers is stretched thin. Each one oversees 30 units, compared to fewer than 10 in fast food, and must deal with store-level merchandise managers as well as store-level food-service managers.

With five K mart distribution warehouses handling his department's drygoods, foodstuffs are purchased at the local level.

Wendy's faces challenge in sustaining momentum

(Continued from page 2)
Beef?" ads is planned.
responsibility and a computerized television system that graphically depicts how to assemble orders.

But Wendy's could get its biggest boost from new high-tech, diet-conscious ads for its salad bar and a series sniping at the "processed" chicken used by McDonald's and Burger King in their chicken entrees. Wendy's chicken club, the ads assert, use "real" boneless breast of chicken.

Analysts at the meeting generally approved of Wendy's plans. But a point of controversy flared when several asked for sales mix figures that Wendy's, citing competitive reasons, declined to divulge.

New management systems under test include a way to free store managers of production

Portable edibles step up business

(Continued from page 2)
the first year and I believed them. I'm the schmuck.

"If you have a choice to not go into a food court, don't. But if you do, find out who your neighbors are first and then jam as many compatible products into one space as possible within the confines of good taste," Liederman said.

One major advantage of a walk-around concept, Liederman and Phelan agree, is its easy convertibility. "If it's not working, change it," said Phelan.

Liederman, who has not spent a cent on advertising David's ice cream, cookies or French bread, recommends "putting your money where their mouths are—in the product. Get people to talk about your products. Word-of-mouth beats a minute on the Super Bowl for selling foods in the United States," he said.

Countermen are an integral part of any walk-around operation's image and reputation, said Liederman. "The sales staff is your link to the outside world. Countermen are the chairmen of the board of your companies.

"Gelato and tofutti won't ever take a bite out of all-American ice cream. You're going to see every conceivable combination of cookies and ice cream and all types of toppings on pizza and French breads. Anything that's easy to eat," said Liederman.

NEW TECHNOLOGIES GENERATE CONTINUING

CHANGE

A world of new possibilities awaits exploration by food-service professionals. The rewards are rich, but first must come a starting point: Making technology understood.

By Charles Forman

The generations of the computer in food service are as full of dramatic history as the generations of the prophetic figures of the biblical Old Testament. But unlike the Bible, the book on the computerization of food service has chapters to go.

*Types of Computer Systems Used in Establishments**

	Total %	Independent %	CHAIN		
			Fast Food %	Family Restaurant/ Coffee Shop %	Dinnerhouse %
Point-of-sale (POS)/ electronic cash register	88	88	90	90	83
Computers other than point-of-sale	47	45	56	43	40

**Adds to more than 100% due to multiple responses*
Source: *NRN* Computer Systems in Food Service Trade Study

Length of Time Establishments Have Been Computerized

	Total %	Independent %	Total Chain %	CHAIN		
				Fast Food %	Family Restaurant/ Coffee Shop %	Dinnerhouse %
2 years or less	21	38	14	14	10	20
3-5 years	38	32	40	44	37	37
6-10 years	31	28	32	28	37	33
11 years+	9	2	12	14	13	7
Don't know/ no answer	1	—	2	—	3	3
(Mean)	(5.7)	(4.0)	(6.3)	(6.5)	(6.8)	(5.4)

Source: *NRN* Computer Systems in Food Service Trade Study

Mean Length of Time Required to Realize Return On Investment for Computerized System†*

Total	Independent	CHAIN		
		Fast Food	Family Restaurant/ Coffee Shop	Dinnerhouse
27.6	25.2	28.7	30.6	25.6

**Does not equal 100% due to rounding. †In months.*
Source: *NRN* Computer Systems in Food Service Trade Study

Important Factors in Decision to Switch To A Computerized System*

	Total %	Independent %	CHAIN		
			Fast Food %	Family Restaurant/ Coffee Shop %	Dinnerhouse %
Provides more/better information	28	25	24	30	37
Better control of operations (inventory, cash)	25	[illegible]	16	23	37
Speed	24	18	26	20	33
More accurate	16	22	18	3	17
Reduced cost/labor needs/increases productivity	13	10	16	17	7

**Adds to more than 100% due to multiple responses.*
Source: *NRN* Computer Systems in Food Service Trade Study

It's upsetting, nonetheless, to devotees of the latest (and most utilitarian) food-service technology that early this year the Cornell Hotel and Restaurant Administration Quarterly could devote its lead article to asking restaurateurs, "Do You Have Technophobia?"

It's surprising, too, when the owner of a burgeoning Southern restaurant company talks about the computerizing of an increasing number of management functions at his restaurants so tentatively: "We could come up with an endless stream of useless numbers, but I'm not sure I understand them. . . ."

And it's discouraging to proponents of the new systems when a general manager at a group of tablecloth restaurants notes, "Of the 10 other managers working for our company, only four aren't afraid of the computers we've installed."

He adds smugly, however, "The desks of the other six, of course, are swamped with paperwork; their calculators are always out."

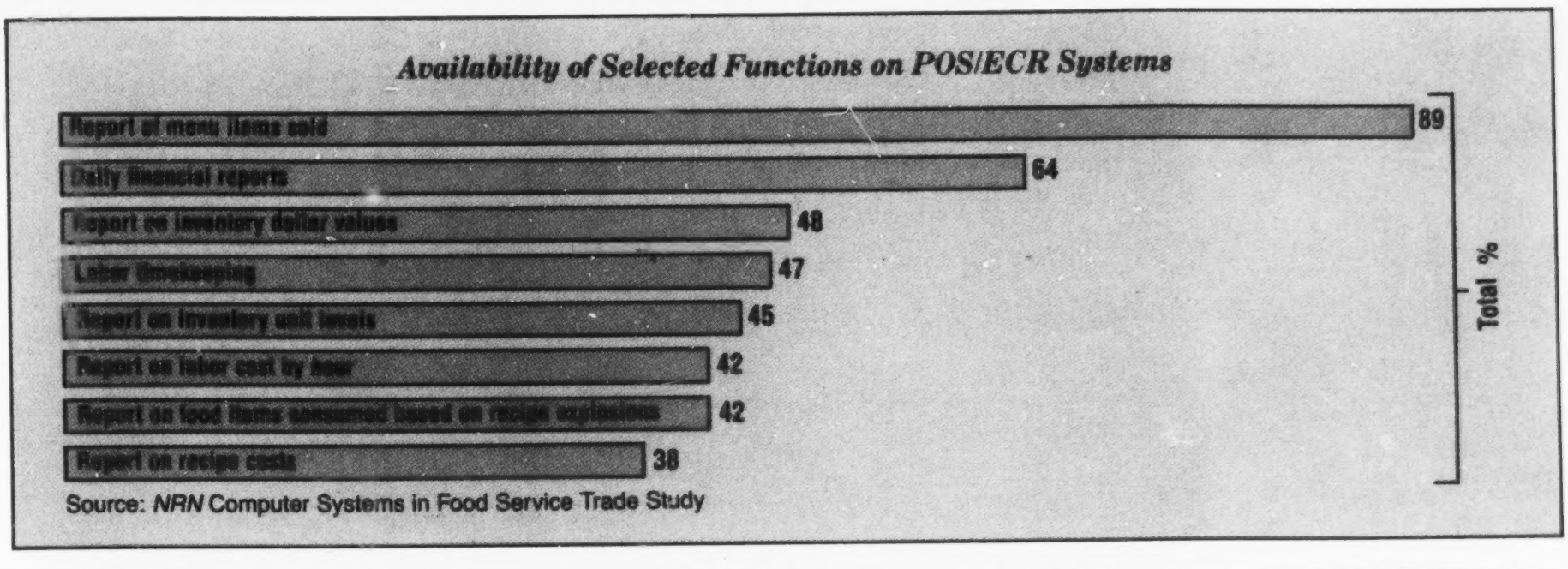
Beyond doubt, the biggest roadblock to the technological revolution that's waiting impatiently in food service's wings is making that technology understood by the technophobes.

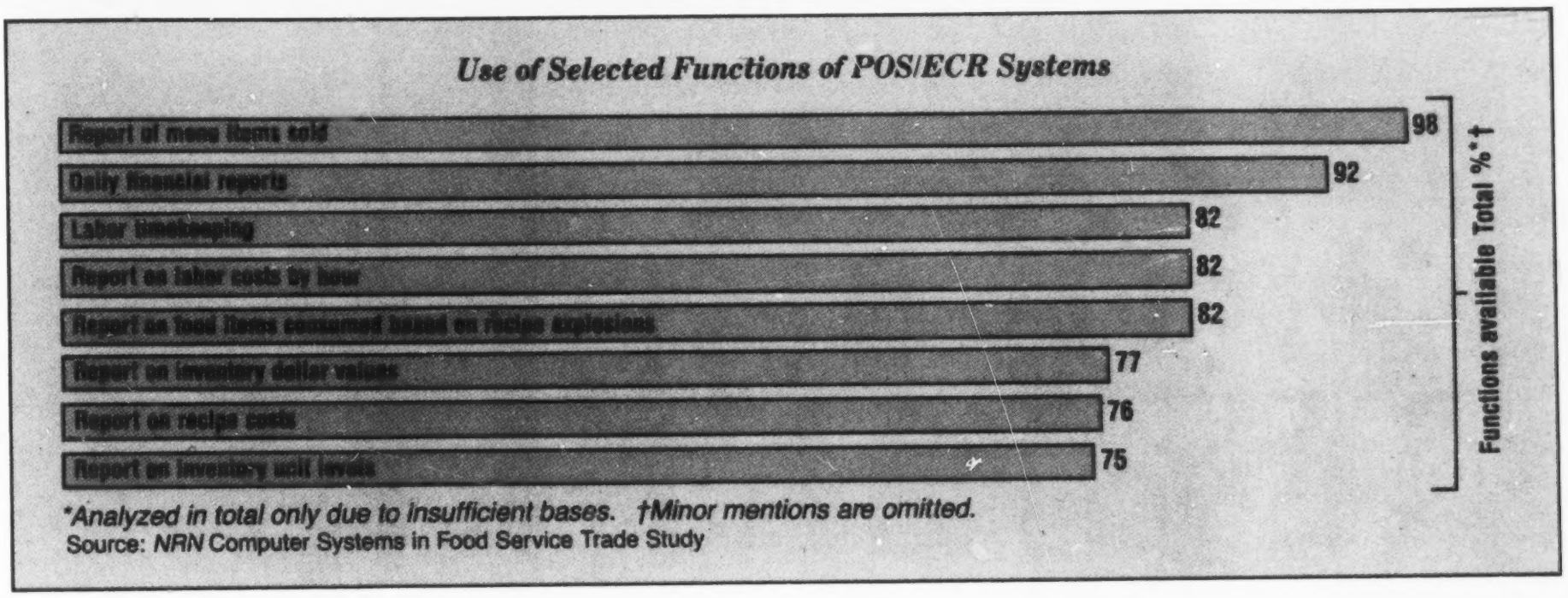
Bruce Kliewer, who spent 16 years as a restaurant chain controller and vice president and now develops restaurant control systems at his own consulting firm in Oklahoma City, says, "I see three types of computer users out there."

First, Kliewer puts his finger on the major chains "who can afford to develop their own software" and eventually get it right. Then there are the hobbyists, "who spend any amount of time—if they put a dollar value on it, it'd be hundreds of thousands," developing their systems: "Some are pretty good." Finally, Kliewer sees the bulk of independent and small chain operators, the ones who end up with "the nightmares."

"They're the ones with three or four units, and the wife or secretary is supposed to be the computer operator. It never works."

But the winds of change are blowing gale force. The fruits of microchip technology are increasingly sweet to smart operators as the bulk of articles in this




Use of Selected Functions of POS/ECR Systems
Report of menu items sold
98
Daily financial reports
92
Labor timekeeping
82
Report on labor costs by hour
82
Report on food items consumed based on recipe explosions
82
Report on inventory dollar values
77
Report on recipe costs
76
Report on inventory unit levels
75
Functions available Total %*†
*Analyzed in total only due to insufficient bases. †Minor mentions are omitted.
Source: NRN Computer Systems in Food Service Trade Study

first-ever Restaurant Technology supplement to *Nation's Restaurant News* show.

To put this reportorial legwork in perspective, so that operators can get a handle on what peers across the country are doing, results of an in-depth survey of computer uses and trends in food service are featured in this and following articles.

Events are outrunning mere journalism, though, as new developments in this exciting area constantly add new possibilities.

The basic computerization of food-service has been at the cashier's station, with ECR/POS units.

All participants in *NRN*'s survey utilize some form of computer in their businesses. Nearly 9 in 10 (88%) say they use point-of-sale (POS) or electronic cash register (ECR) systems. Back-of-the-house or other systems are used by less than half.

The average restaurant in the survey has been computerized 5.7 years. But only 4 in 10 have been computerized at least six years, while a little better than 1 in 5 have had their systems less than two years.

The rush to front-of-the-house units first is dictated by the logic of the business. It's a cash business, and the systems available have been first and foremost cash watchdogs.

"To start with, there are different levels of security," remarks Charles Pizzo, concerning the very typical system at La Louisiane, a New Orleans tablecloth operation. Pizzo is assistant to Joseph Marcello, president of the company that owns La Louisiane and four other restaurants. "Only certain people can punch into the system and ring checks.

"Then, at the end of the day, we get a full breakdown of all transactions. We know right away where any shortage or overage is."

Pizzo also notes, "There's maybe nothing more important in an operation."

This is why there's still so much product development in the POS area. At the recent National Restaurant Association Show in Chicago, crowds were wowed by fourth-generation systems that go way beyond reporting transactions to incorporate software applications for word processing, electronic spreadsheets and accounting.

The makers are obviously aware that operators' first dollars are going to go for their front of the house systems.

The dollars are hefty. Even a small state-of-the-art POS set-up, three programmable terminals connected to a single processor, costs about $20,000, Bruce Kliewer estimates.

The *NRN* survey queried operators on the time necessary before a return on investment was realized on their systems. A significant proportion (68%) reported the time frame as "between one and five years."

Many suppliers stress the ROI to be expected when they sell the merits of their systems. Most op-

- *Wage & Benefits Study—Pp. 49-61*
- *100 seasons of the Four Seasons—Pp. 39-42*

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'84 tax act a mixed bag for industry

Targeted Jobs Credit preserved; liquor taxes raised 19%

By Ken Rankin

WASHINGTON — This year's final tax package, sent to President Reagan late last month as a "down payment" on the bulging Federal deficit, preserves the Targeted Jobs Tax Credit Program through 1985 and offers food-service operators and employees some minor relief from the Government's controversial tip reporting requirements.

But at the same time, the new "Deficit Reduction Act of 1984" also calls for stiff increases in Federal liquor taxes, opens the door for taxes on employee "fringe" benefits, and contains a provision requiring all tips reported by restaurant workers be treated as "wages" under the Federal Unemployment Tax Act (FUTA).

The new law, designed to trim some $50 billion from the Federal deficit, also contains a series of restrictions on existing tax breaks available to restaurant operators. The most controversial of these: a new real-estate depreciation formula which will require food-service firms to write-off the cost of new buildings over 18 years (rather than the present 15 year accelerated schedule).

The legislation also postpones scheduled increases in the ceilings on investment tax credits and the "expensing" of restaurant equipment, and similarly delays reductions in the Federal estate tax—a key area of concern for independent food-service owners.

Lobbyists from the National Restaurant Association, the Foodservice and Lodging Institute, and a number of major chains such as Pizza Hut had concentrated the lion's share of their efforts on preserving TJTC wage subsidies in the face of mounting Congressional sentiment in favor of budget cuts this year.

That program, which offers Federal tax credits of up to 50% of the first year wages paid to each qualified "disadvantaged" worker hired, had been scheduled to expire at the end of 1984.

In testimony before Congress earlier this year, industry leaders repeatedly called for a "multiyear" extension of the subsidies, arguing that a five-year reauthorization of TJTC was "absolutely essential" to encourage greater food-service participation in the program.

The final TJTC provision, however, fell far short of the industry's goal.

Although the Senate approved a three-year extention of the program, the final legislation hammered out by Congressional tax conferees and sent to the President preserves TJTC wage subsidies for only one more year (through the end of 1985).

Privately, some lobbyists acknowledge that it may be difficult if not impossible to secure a further extension of the program next year when Congress begins work in earnest on reducing the long-term Federal deficit.

The liquor tax increase ap-

(Continued on page 110)

Collins Foods buys Josephina's; holds to fast diversification track

By Joe Edwards

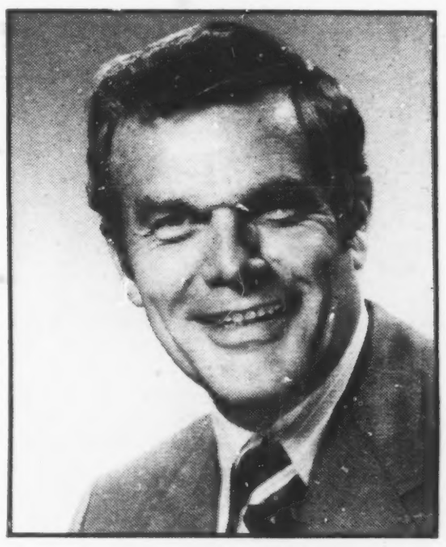
LOS ANGELES — Diversification-minded Collins Foods has added yet another trendy concept to its growing list of expansion vehicles with the acquisition late last month of the 10-unit Josephina's Cafe & Pizzeria.

In rapid-fire succession over the past year, Collins Foods, owner-operator and franchisor of Sizzler family dinnerhouses and the largest Kentucky Fried Chicken franchisee, has moved into stylish burger cafes, deep-dish pizza and Mexican dinnerhouses.

Collins' latest move came on June 21 when chairman-founder Jim Collins disclosed that he had put together a deal to acquire on an earnout basis for an undisclosed amount of cash and notes the West Coast-based Restaurant Concepts of American, owner-operator and franchisor of Josephina's.

"This moves us ahead in the pizza business by two years," Collins declared during an appearance before the New York Society of Security Analysts. Collins is also expanding Gino's East, a well-known Chicago deep-dish pizzeria which he purchased last year for $2.5 million.

Gino's East and Josephina's will be operated as separate companies but parts of the management of both will be merged, Collins said.



James A. Collins

Like many other food-service operators, Collins sounds convinced that it is better to put his eggs in many different baskets as a hedge against problems in any one segment.

He joins a growing list of major operators who are pursuing such strategies, including Diversifoods (with Chart House dinnerhouses, Moxie's burgers, Luther's barbecue, Godfather's Pizza and franchised Burger

(Continued on page 110)

ARA, Volume Services gear for '84 Olympic feeding melee

By Richard Martin

LOS ANGELES — The stage is set for a gargantuan feeding operation that in its own way will rival the 1984 Summer Olympic games it is designed to serve.

ARA, the main contract feeder for the events, is expecting 2.5 million customers during the 16-day Olympic period.

ARA is also serving some 60,000 meals a day to athletes, coaches and staff.

Inside the Coliseum where Volume Services, a subsidiary of Chicago-based Interstate United, will handle feeding, food sales capacity has been beefed up with 50% more points of service than usual.

Herbert Ring, ARA's director of Olympic concession services, thinks he's hit on just the appropriate simile for the Olympian magnitude of the feeding effort.

"Think of a brand new pro hockey or baseball league, and all the food services and facilities you'd need to set up—the menus, the distribution, the equipment leasing, the 1,000 employees . . . 25 locations of major magnitude."

Then comes the kicker, Ring notes. "It's all to run for just 16 days."

(Continued on page 110)

San Francisco, here they come

Big event schedule boosts recovery hopes

SAN FRANCISCO — All-Star baseball and a big powwow of Democrats—plus the Super Bowl—are all helping perk up hopes for a major recovery this year by food-service and lodging operators here.

At last, Bay Area hospitality industry analysts expect 1984 to yield some gains after four years in a row of flagging visitor traffic. Local hotels and restaurants could see tourism approach—if not surpass—record 1979 levels, aided by the return of San Francisco's fabled cable cars and an influx of major conventions and sporting events being held here.

Residual business from visitors to the Los Angeles Olympics is another factor expected to bolster the city's $1.3 billion tourism economy.

However, an expected downturn in the number of foreign visitors put off by the strong dollar will mitigate the upturn, resulting in a 3% to 4% increase in the number of visitors this year over last, according to predictions of the city's Convention and Visitors Bureau. Nonetheless, the 15.4% visitor decline from 1979 through 1983 will be slightly reversed.

Although not quite hitting the 2.87 million-visitor high water mark of 1979, a total of some 2.5 million out-of-towners could flock to the city this year, where they should spend an average 65% of their total cash outlay on rooms and meals (out of an average $94 per person spent during each day of the typical stay).

The cable cars have been back on track only a few weeks

(Continued on page 110)

LATE NEWSBREAKS

Royal Crown shareholders have approved a $241 million buyout by a firm controlled through financier Victor Posner. Posner was named chairman of Royal Crown, Arby's parent.

New Jersey has joined a growing number of states that will hold social hosts liable for auto accident injuries caused by guests they serve and allow to drive drunk. The state Supreme Court said it sensed changing attitudes toward drinking "whether in home or tavern."

Beefsteak Charlie's plans to begin testing a new cafe concept in August in a converted unit in Staten Island, N.Y. Menu will feature ribs, pasta, steaks and large burgers with an $8 projected average check.

Steven Neeley has been named president and ceo of 200-unit Texas-based Golden Fried Chicken, replacing Dirk Dozier, who sold his interest in the company but remains a franchisee. Neeley was a vp at United Phoenix Companies.

FMIC: Feeding big political appetites in cramped spaces

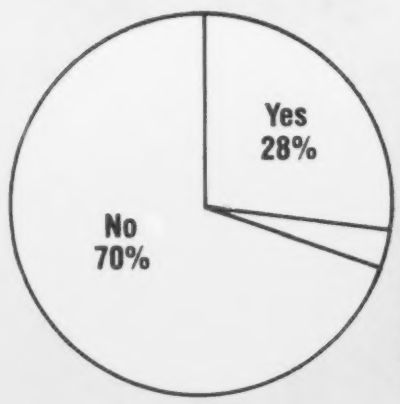
SAN FRANCISCO — Hammering out a platform, nominating presidential and vice presidential candidates and listening to speeches until late at night can make a political party downright hungry.

And working with only 8,000 sq. ft. of food-service prep and storage space in the 266,000-sq.-ft.-plus Moscone Center has turned out to be a sizable challenge for the contractor feeding the Democratic National Convention here July 16-19.

The task of nourishing some 30,000 delegates, journalists and others at the convention hall falls to locally based Facilities Management Inc. of California, which had some concerns going in about the tight squeeze in the kitchen.

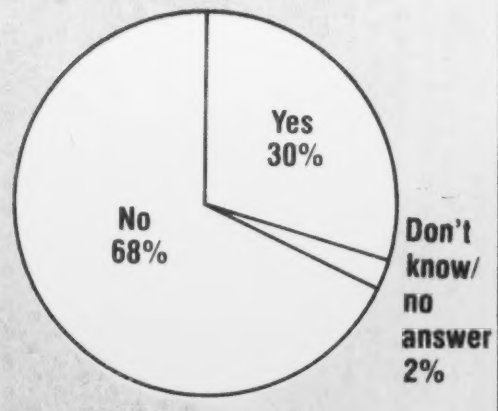
(Continued on page 110)

Incidence of POS/ECR and Non-POS Systems Interfacing With One Another



Source: *NRN* Computer Systems in Food Service Trade Study

Incidence of Use of Non-POS Computers To Poll Individual Units



Source: *NRN* Computer Systems in Food Service Trade Study

erators find an exact ROI hard to calculate, however. Nevertheless, like Charles Pappas, who's owned Michael's restaurant near the Mayo Clinic in Rochester, Minn., for 34 years, once they've had a successful system up and running for a while, they're concentrating on other things.

"It's taken longer than the salesman said," Pappas reports, "but I'm not paying much attention too *that*. I see irritating errors completely eliminated, and for that reason it's worth the cost."

In querying operators on why they computerized, the *NRN* survey found that in addition to obtaining tighter control of cash and inventory many were looking for administrative savings through computer speed and better quality information.

The most-used functions of POS/ECR systems, where available, are menu item reports and daily financials. Also used in three-quarters or more of the instances where the functions are available are labor timekeeping and hourly labor cost reports, breakdowns of food items consumed by recipe explosion, reports on inventory dollar values, recipe costs and inventory unit levels.

Inventory control is the other side of cash control, of course, and no cost control system is really efficient until inventory usage is tracked to the smallest detail.

P. J. Murphy, controller at Boston-based Polcari's, operator of 11 Pizzeria Regina fast-food outlets, explains: "Look at it this way. At Pizzeria Regina, our biggest investment on a daily basis is inventory."

Connecting POS/ECR systems with non-POS computers for polling has been mainly the purview of the chains. In the *NRN* survey, the majority of respondents (70%) do not have interfacing systems.

The spread of so-called slave units connected to a microcomputer is, however, giving independents the advantages of polling.

Some say, though, that while they're getting a handle on their systems, they don't mind the time spent re-entering data on back-of-the-house units. When systems are compatible, that's sometimes just changing a tape.

Back-of-the-house computer uses are not much different in food service at present than in other industries.

Most are in the financial accounting area. Widely used functions here, according to the *NRN* survey, are accounts payable, general ledger, monthly P & L, sales accounting and payroll.

Among food and beverage control functions, automatic pouring and beverage inventory top the list.

Certain planning and budgeting functions are used extensively. These include cash flow forecasts, some marketing planning and budget preparation.

Spreading in use, but still mistrusted by many operators, is the use of computerized cooking equipment that can be set to time cooking for precise consistency and cost control, and the utilization of computers to control and time restaurants' HVAC systems.

Lists are, in many senses, inadequate to describe the present and potential impact of technological

Proportions Rating Selected Results Derived From Computer Usage As "Extremely/Very Beneficial"

				CHAIN		
	Total %	Independent %	Total Chain %	Fast Food %	Family Restaurant/ Coffee Shop %	Dinnerhouse %
More accurate reporting of sales	83	85	83	88	80	77
More timely reporting	54	55	54	66	47	40
Reduced operating costs	49	35	54	60	57	40
Reduced shrinkage	43	55	39	40	40	37
Reduced administrative expenses	38	32	40	46	40	30

Source: *NRN* Computer Systems in Food Service Trade Study

'Of the 10 other managers working for our company, only four aren't afraid of the computers . . . The desks of the other six . . . are swamped with paperwork.'

Mean Percentage By Which Costs Have Been Reduced By Use of Computerized Systems

	Total %	Independent %	Total Chain %	Fast Food %	Family Restaurant Coffee Shop %	Dinnerhouse %
Shrinkage	21.7	17.2	23.5	22.2	24.6	24.2
Operating costs	19.0	15.0	20.3	18.7	19.2	23.9
Administrative expenses	18.6	13.8	20.3	16.6	18.3	28.3

Source: *NRN* Computer Systems in Food Service Trade Study

Mean Summary of Degree of Difficulty Associated With Selected Aspects of Computer Usage*

	Total	Independent	Total Chain
Finding competent computer operations staff	2.3	2.2	2.4
Training your restaurant staff in the use of the system	2.3	2.0	2.4
Computer hardware breakdowns	2.3	2.4	2.2
Computer software problems	2.2	2.2	2.2
Lack of customization of system to your needs	2.2	2.0	2.4
Service by vendors	2.1	1.9	2.2

**Based on a scale where: 5 equals 'extreme difficulty'*
4 equals 'very difficult'
3 equals 'somewhat difficult'
2 equals 'not too difficult'
1 equals 'not at all difficult'

Source: *NRN* Computer Systems in Food Service Trade Study

Proportions Extremely/Very Satisfied With Selected Aspects of Most Frequently Used POS/ECR System

	Total %	Independent %	Fast Food %	Family Restaurant Coffee Shop %	Dinnerhouse %
	Bases 132	35	45	27	25
Hardware equipment	49	51	44	56	48
Software features	48	66	31	48	52
Service	57	69	40	67	60
Training	46	63	31	33	60

Source: *NRN* Computer Systems in Food Service Trade Study

change on food service.

Not all changes are generated by researchers looking for a quicker, less costly way to do the same things that are already being done.

Changes in Federal and state law and bureaucratic regulation are also having a significant impact on the computerization of the restaurant industry.

The requirements of TEFRA, for example, in forcing operators to keep close track of tips, have given the computerization of the industry a boost. How many operators will buy programmable time accounting devices or other software and hardware items with just such new demands in mind?

Likewise, increased competition in the fast-food sphere has accentuated the importance of the marketing function at many chain headquarters. In turn, this has sent software developers scurrying to come up with sophisticated programs to make use of the giant data bases being built for intricate modeling uses.

Airline caterers like Sky Chefs are finding that because of the high degree of computerization the airline industry has achieved, they can make use of highly accurate passenger load data to control their own operations in novel ways, such as projecting food preparation equipment needs.

It's hard to doubt that even more significant new uses of technology in food service are coming. A few years ago, a rash of reports appeared touting the coming of robot waitresses. These turned out to be part of a giant hoax.

But in today's restaurant technology, such flights of fancy are the exception rather than the rule. Restaurants are not likely to turn into spaceships or anything like it for a while yet. Nonetheless, the sweeping force of computerization has only begun to make its impact felt.

REGULATING THE USAGE OF MANPOWER

Stopping time theft, eliminating costly clerical errors and shoring up the estimated $120 billion annual loss attributed to these justify computerization's 'glittering appeal.'

By Charles Forman

At Michael's, a popular 455-seat Greek-American restaurant in Rochester, Minn., owner Charles Pappas expresses satisfaction that he has solved one of the knottiest problems faced in his 34 years as proprietor.

Just months ago, Pappas installed an electronic time accounting system to help him manage the single most precious commodity he uses in the restaurant: His employees' time.

To many residents, Rochester is a sleepy town of 60,000 inhabitants. But Michael's is anything but sleepy. In four dining rooms and a lounge, full-service lunch and dinner business accommodates 1,000 to 1,200 customers a day.

Two blocks away is world famous Mayo Clinic, which draws half-a-million people a year into Rochester. Fifty per cent of Pappas's business comes from the clinic.

To meet demand, Michael's has 160 employees on its payroll. Pappas groans as he recalls the myriad control problems he faced each day for years.

Particularly vexing to him, he says, were the "time theft" he was subjected to using an old-fashioned time clock and clerical errors in computing hours and wages.

A consultant's survey estimates that workers steal $120 billion a year in time from employers by

What Lost Time Costs

This chart shows what five minutes of time lost per employee each day can cost a food-service operation in a year. (Based on eight-hour day, five-day week, 255 working days a year.) You may prefer to read this as savings in terms of work performed that could be incurred if just five minutes a day per worker could be recovered.

Hourly Wage	10 Workers	50 Workers	100 Workers
$3.35	$1,424	$3,559	$14,238
$4.50	1,913	4,781	19,125
$5.50	2,338	5,844	23,375
$6.50	2,763	6,906	27,625

Source: American Payroll Association

SOLVING MANPOWER PROBLEMS

Today's time-accounting systems use technology to catapult operators past problems that have traditionally drained time and energy at the expense of other, possibly more creative concerns. Here are some of the tough problems today's systems make more easy to cope with:

Productivity
- Time consuming totaling of time cards.
- Human errors in timecard calculations.
- Excessive payroll processing.

Profitability
- Rising clerical costs.
- Human calculation errors.
- Unauthorized overtime.
- Lack of uniformity in payroll calculations.

Labor/Management
- Limited information about true labor costs.
- Inconsistent application of payroll policies.
- Schedule changes.

Timecard Auditing Errors Can Cost Thousands

Weekly Payroll	Error Factor ½%	1%	2%	3%
$10,000	$ 50	$ 100	$ 200	$ 300
$15,000	75	150	300	450
$30,000	150	300	600	900
$40,000	200	400	800	1,200
$80,000	400	800	1,600	2,400
$100,000	500	1,000	2,000	3,200

Source: American Payroll Association

coming in late, goofing off, taking long breaks and leaving late to get overtime. The survey figures the average worker takes from his boss four hours and eighteen minutes a week in paid-for time.

Dollars lost to simple bad back-office arithmetic can be just as hurtful, of course. At a restaurant with an $80,000-a-week payroll, even 99.5% accuracy in calculating payroll time means $400 lost.

"Our system eliminates errors," Pappas exults, "flags overtime and prevents punching in ahead or tardy—I get a tardy report daily."

Pappas's experiences with the utility of new technology in controlling labor usage in his restaurant are becoming increasingly common in the industry.

In its survey of computer system usage in food service, *Nation's Restaurant News* found that among operations using POS/ECR systems, 47% have labor timekeeping functions available and 42% have systems with capability to report labor costs by hour (as the Michael's system does).

These time accounting capabilities are among the functions most used by operators, the survey found, with 82% of operators who have them available using each one.

The only computer functions used more frequently in food service, the *NRN* report found, are daily financial and menu item use reports.

While Charles Pappas is most vocal about his success in checking time theft and clerical blunders with the new technology, today's systems offer much more in the way of labor controls.

Time accounting systems typically calculate labor costs as a percentage of sales on a daily basis. "These can vary considerably," notes Charles Pizzo, assistant to owner Joseph Marcello at a group of New Orleans restaurants that includes La Louisiane and L'Enfants. "One day—suppose you only did 100 covers—labor will be 42%; the next day business will pick up and labor will drop to 34%."

The manager at L'Enfants, which has a time accounting system will, for example, determine that operations were smoothest and most profitable at the 34% labor cost level. Then he will match that labor-use level against future sales projections and arrange staffing to meet that level.

In the past, many (including many fast-food operations) did such calculations manually—if managers could cope with the laborious numbers crunching. Now such tasks need only occupy minutes of a busy manager's time.

Many of the latest systems offer payroll management functions, too. These, by communicating between an electronic time clock or ECR/POS unit and a remote computer, can even provide automatic paycheck printing.

Even with less sophisticated systems, employees can be provided with accurate reports on their hours, wages and tips. Almost all the latest food-service specific systems total tips and, helping with TEFRA requirements, calculate for tipped employees 8% of their sales.

Almost lost in the glittery appeal of such benefits is one of the most basic areas of labor savings generated by today's "intelligent" time accounting systems: The dollars banked by elimination of administrative time spent hand-posting timecard information.

"There was considerable labor involved in the old system for us," Pappas notes.

Now employees can be freed for more challenging—and possibly more important—jobs.

MANPOWER-CONTROL TECHNOLOGY BENEFITS MANAGERS